



LEGISLATIVE FISCAL OFFICE
Streamlining Commission Analysis

Recommendation No. **RECOMMENDATION 100**
Streamlining Draft **AGEB 37**

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|--|---------------------------------|
| Date: November 24, 2009 12:13 PM | Author: |
| Dept./Agy.: Department of Insurance | Analyst: Travis McIlwain |
| Subject: Telephone System | |

Department of Insurance Telephone System

The Louisiana Streamlining Government Commission recommends to the Louisiana Legislature that the Department of Insurance (DOI) be given permission to buy its own telephone system, which will be an improved system and also save \$250,000 each year, beginning with the second year after the purchase.

| EXPENDITURES | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 5 -YEAR TOTAL |
|----------------|----------|-------------|-------------|-------------|-------------|---------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$34,568 | (\$250,138) | (\$250,138) | (\$250,138) | (\$250,138) | (\$965,984) |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$34,568 | (\$250,138) | (\$250,138) | (\$250,138) | (\$250,138) | (\$965,984) |

| REVENUES | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 5 -YEAR TOTAL |
|----------------|---------|---------|---------|---------|---------|---------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

To the extent the DOI purchases its own telephone system, the department will incur additional costs in the net amount of \$34,568 in FY 11 due to the purchase of the new system, but in subsequent fiscal years will save approximately \$250,138 annually. Current costs for the system paid to the Office of Telecommunications (OTM) are \$298,224 for phone lines.

Upon the purchase of the new system, which moves the department from an analog system to a digital system, the DOI will incur \$233,016 in one-time acquisitions and \$10,000 conversion costs for the purchase of system, but with existing departmental employees maintaining the system, the DOI will realize \$250,138 of annual cost savings. Below is a table that details the specific expenditure breakdown of this proposal.

| | FY 09-10 | FY 10-11 | FY 11-12 | FY 12-13 | FY 13-14 | FY 14-15 |
|-------------------------|-----------|-----------|----------|----------|----------|----------|
| OTM Phone Line | \$298,224 | \$78,625 | \$34,705 | \$34,705 | \$34,705 | \$34,705 |
| New Phone System Costs | \$0 | \$233,016 | \$0 | \$0 | \$0 | \$0 |
| New Phone Annual Maint. | \$0 | \$11,151 | \$13,381 | \$13,381 | \$13,381 | \$13,381 |
| Conversion Costs | \$0 | \$10,000 | \$0 | \$0 | \$0 | \$0 |
| TOTAL | \$298,224 | \$332,792 | \$48,086 | \$48,086 | \$48,086 | \$48,086 |

The additional costs in FY 11 of \$34,568 assumes the department installs a new DOI owned phone system by August 31, 2010 (which would require 2 months of expenditures in FY 11 under the old system) and the department incurring conversion costs of \$10,000 (which is change in letterhead and business cards due to phone number changes). The DOI will continue paying OTM for all data lines at a projected cost of \$445,349, and 1-800 service, long distance and fax lines at an annual cost of \$34,705.

Essentially, the DOI will expend a total of \$243,016 (\$10,000 conversion costs/\$233,016 new phone system), in order to save annually \$250,138. This new phone system is subject to the IT-10 process with the Office of Information Technology (OIT). (Continued on Page 2)

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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|---|---------------------|--|--|
| Senate | Dual Referral Rules | House | |
| <input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost | | <input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease | H. Gordon Monk Legislative Fiscal Officer |



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CONTINUED EXPLANATION from page one: Page 2 of 2

EXPENDITURE EXPLANATION CONTINUED:
Once the phone system is purchased and installed, the DOI will likely incur future additional upgrade costs in FY 16 and beyond. Those projected costs include: media application server - \$3,242, gel batteries - \$380, station cards - \$11,183, voice mail system - \$1,651, labor hours (100 hours) - \$9,500.

NOTE: R.S. 39:15.3(C) provides for if the OIT, which is the office OTM is currently under its jurisdiction, and a statewide elected official cannot jointly agree on an information technology plan, system, or service for any agency under his jurisdiction, then he may implement an information technology plan, system or service of his own, upon finding just cause to do so and after giving notice of his actions and reason at a meeting of the Joint Legislative Committee on the Budget (JLCB).

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|---|----------------------------|--|-----------------------------------|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <u>H. Gordon Monk</u> |
| <input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost | | <input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost | H. Gordon Monk |
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